

**Rhode Island Public Transit Authority  
Joint Pension Board**

**Minutes of the November 19, 2012 Meeting**

**Joint Pension Board Members Present:** Stephen Durkee, Acting Chair; Maureen Martin, Acting Member; Paul Harrington; Christine Johnston and Kevin Millea.

**Absent:** Jerome Williams

**Also Present:** Raymond Studley, Interim Chief Executive Officer; Clare Sedlock, RIPTA Resource Team; Todd Gleason, Outside Counsel; Maureen Ruzzano; David Ward, Angell Pension Group; Ellen Mandly and other members of RIPTA staff and the general public.

**Agenda Item 1:      Approval of Minutes of September 24, 2012 Monthly Meeting**

Acting Chair Stephen Durkee called the meeting to order at 1:18 and asked if the members had an opportunity to review the minutes of the Joint Pension Board meeting held September 24, 2012 and the members indicated that they had.

A motion to approve the minutes as presented was made by Ms. Johnston. Mr. Harrington seconded and the September 24, 2012 meeting minutes were unanimously approved as presented.

**Agenda Item 2:      David Ward – Angell Pension Group**

David Ward from Angell Pension Group addressed the Committee to discuss late retirement benefits and distributed a memo dated March 15, 2012 regarding the RIPTA pension plan late retirement benefits. This memo was previously submitted to the Committee at the JPB meeting held March 19, 2012 and attached was a second page from RIPTA's pension plan document referencing late retirement benefits (plan document Section 4.1 and Section 4.2).

Mr. Ward said the memo describes the pension plan document and that the Normal Retirement Age for an employee is age 62 with 5 years of service. He then proceeded to the second page which was an excerpt from the plan and read the following paragraph from section 4.2 of the pension plan:

*Late Retirement Benefit. A participant who remains in the employ of the Employer after his Normal Retirement Date shall not be eligible to receive his benefit until his actual retirement date. Any such Participant shall be entitled to a monthly benefit calculated at his actual retirement date equal to the greater of (a) the monthly benefit determined*

*under Section 4.1 based upon his Average Compensation and Years of Service determined as of such date or (b) the monthly benefit in which would have been payable under Section 4.1 had he retired at his Normal Retirement Date multiplied by the late retirement benefit factor set forth in the table below based on the number of years after Normal Retirement age that the Participant actually retires.*

He then discussed the table on the send page of the excerpt which detailed the years after normal retirement age and the late retirement benefit factor adjustment. He said the calculation includes an adjustment for the later date the money is paid. This includes an interest adjustment and also a mortality factor adjustment. He gave an example of the retirement benefit factor at one year.

From 62 to 70 ½ we take the greater of the regular or late retirement pension calculations which is determined by first calculating the Normal Retirement Benefit earned in the Plan based on the full service credited through the Late Retirement Date. For example, if a Participant is hired at age 50 then at Late Retirement of Age 67 he/she may have 17 Years of Service. The benefit based on this 17 years of service is compared to the late retirement factor times the benefit earned at Normal Retirement Age (62) with service at Normal Retirement Age of 12 Years of Service. The larger of these two benefits is the Late Retirement Benefit.

He said it becomes more complicated due to IRS requirements for employees who work beyond age 70 ½ as is described in the plan document in Section 4.2. He then read the following applicable paragraph from the plan:

*Notwithstanding the forgoing provisions of this Section 4.2, a Participant's Accrued Benefit under Section 4.2(a) is actuarially increased to take into account the period after age 70 ½ in which the Employee does not receive any benefits under the Plan. The actuarial increase begins on April 1 following the calendar year in which the employee attains age 70 ½ (January 1, 1997 in the case of an Employee who attained age 70 ½ prior to 1996), and ends on the date on which benefits commence after retirement in an amount sufficient to satisfy Section 401(a)(9) of the Code.*

Mr. Ward said from the April 1<sup>st</sup> following age 70 ½ until the date of retirement the benefit calculation would take into account both the greater value of what's already been accrued under the formula including the actuarial increase of the normal retirement benefit from that point forward and the value of benefits accrued for service following the April 1<sup>st</sup> following age 70 ½. The increase for actuarial equivalence plus the additional benefit accrual is given for every year until the actual Late Retirement Date. The recalculated actuarial increase of the prior year's benefit is added to one year's benefit accrual under the formula which reflects the 2% formula multiplied by the average salary for that Plan Year. Mr. Ward then asked for questions.

Mr. Durkee asks if the retirement benefit factor is standard and Mr. Ward said it is relatively standard because these actuarial increase factors are required by the Internal Revenue Service. The value of the factors start at a 9% increase after Normal Retirement age of 62 and compound for each year thereafter.

Mr. Ward said these factors are based on an interest rate and a mortality rate. The plan defines those assumptions. The mortality and interest assumptions (1971 Group Annuity Table and 6%, Section 1.2 of the Plan) used in the Plan are quite standard. Many other plans also use this approach (and these or similar assumptions). He said it is the plan's approach from age 62 to 70 ½ to provide the greater of the benefit actually accrued from the plan formula or the actuarial increase from Normal Retirement Age. The plan has clearly been structured to give the greater benefit for that period then for the period after April 1<sup>st</sup> following the year of attainment of age 70 ½. The Plan is required to provide both an actuarial increase for all benefits every year for the period following attaining age 70 ½ and the benefit accrued under the Plan until actual retirement.

Mr. Millea stated it's difficult to understand the calculations after age 72 and he asked for an example of someone working beyond age 72. Mr. Ward gave the example of someone who had a monthly benefit \$331 dollars in that year before they started age 72 benefit and then the benefit formula at the end of that year provided a benefit of \$383 a \$51.76 dollar increase or 16% increase for one year and the following year after 72 for this individual there would be a \$54 dollar benefit accrual or about a 14% increase. Mr. Ward said there was also an actuarial accrual increase of \$35.66 (during the year following attainment of 70 ½) so his benefit at the end of the second year would increase his total Plan monthly benefit to \$418. The following year it would go up to \$525 after reflecting one more year's actuarial increase plus benefit accrued from service. He said the foregoing illustrates how the actuarial increase will compensate to keep the benefit growing each year (adjusting for the delayed retirement date). He said each employee would be somewhat different (in how much the actual benefit increased) based on their length of service (actual salary and actual age).

Mr. Millea asked if there was an easy formula he could use to determine benefits in house and Mr. Ward said unfortunately not, an actuary needs to do the calculation. Mr. Millea commented that Jeff Liter at Angell Pension gave him an easy to understand explanation of the calculations and he was very helpful in understanding the process. Mr. Millea stated that since the calculations must be done at Angell Pension, employees should get their pension requests in early.

At this point Jerry Williams arrived.

Paul Harrington asked if it was in the best interests of the Authority to keep the hourly and salary pension plans separate. He suggested there could be additional fees which could be avoided if the plans were combined. Mr. Ward said the plans have slightly different calculations such as for early retirement; however it would be possible to consolidate some of the plan provisions as the plan restatement has made the two plans more uniform and since the plan(s) administration has been streamlined in recent years. However, since each of the plans have some unique provisions these separate provisions would be required to be preserved for each plan and therefore any further consolidation would provide on limited additional savings in administrative costs.

Mr. Harrington asked if we pay double fees on the two plans and Mr. Ward replied there is a slight difference in analyzing one plan than the other. Mr. Ward stated that because the plans have been structured to be similar the fees are not double the fees of a single plan but perhaps fees to maintain the unique portions of each plan result in fees which are perhaps 20 to 30% higher (for benefit administration purposes only) than if there were only one plan with uniform provisions.

**Agenda Item 3:     Adjournment**

Mr. Durkee asked if there was further business and hearing none asked for a motion to adjourn the meeting. Ms. Johnston made a motion to adjourn and the motion was seconded by Mr. Harrington and passed unanimously. The meeting was adjourned.

Respectfully submitted,

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Ellen M. Mandly  
Recording Secretary